

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EDMONSON COUNTY WATER)
DISTRICT, EDMONSON COUNTY, KENTUCKY, FOR)
A CERTIFICATE OF CONVENIENCE AND NECESSITY)
AUTHORIZING SAID DISTRICT TO CONSTRUCT)
ADDITIONS, EXTENSIONS AND IMPROVEMENTS TO)
ITS EXISTING MUNICIPAL WATER DISTRIBUTION)
SYSTEM PURSUANT TO THE EXPRESS PROVISIONS)
OF CHAPTER 74 OF THE KENTUCKY REVISED)
STATUTES; SEEKING APPROVAL FOR THE ISSUANCE)
OF CERTAIN SECURITIES AND THE RECEIPT OF)
CERTAIN GRANTS; AND SEEKING TO CONTINUE THE)
SAME SERVICE RATES AND CHARGES UNLESS)
CHANGES ARE FOUND TO BE NECESSARY)

CASE NO.
10103

O R D E R

Edmonson County Water District ("Edmonson") by application filed December 4, 1987, and revised during the proceedings in this matter, is seeking authorization to construct a \$646,800 water-works improvement project and approval of its plan of financing for this project. The project funding includes a \$258,550 loan from the Bank of Edmonson County ("Bank"), a \$365,550 Community Development Block Grant ("CDBG") and \$22,700 from applicants for service in the proposed project area. The Bank loan will be for a 15-year period at an interest rate of 7 percent per annum.

The proposed construction will provide service to approximately 257 additional customers. Drawings and specifications for the proposed improvements prepared by Anderson Engineering, of

Smiths Grove, Kentucky, ("Engineer") have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

CONTINUITY OF ADEQUATE AND RELIABLE SERVICE

The evidence indicates that reliable and adequate service can be maintained throughout the expanded system after completion of the proposed construction. However, there are several areas which could have residual pressure below 30 psig, in violation of 807 KAR 5:066, Section 6(1). In addition, there are several areas which could have pressure above 150 psig, in violation of 807 KAR 5:066, Section 6(1).

The Commission reminds Edmonson of its obligation to provide adequate and reliable service to all of its customers. Edmonson should monitor the adequacy of the expanded water distribution system after construction. If this monitoring indicates that the level of service is inadequate or declining, or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 6(1), Edmonson must take necessary actions to maintain the level of service in conformance with the regulations of the Commission.

FIRE HYDRANT INSTALLATION

Edmonson originally proposed installing three conventional fire hydrants as part of this construction project. These fire hydrant installations are not in compliance with Standard 24 of the National Fire Protection Association as adopted by 815 KAR 10:020 and the "Recommended Standards For Water Works" by the Great Lakes-Upper Mississippi River Board of State Sanitary Engineers as adopted by 401 KAR 6:200.

Edmonson was requested by the Commission to document that the proposed conventional fire hydrants were capable of providing fire protection. The Engineer responded that since Edmonson cannot meet the fire flow requirements no fire hydrants will be installed.

The Commission in good conscience cannot approve the installation of conventional fire hydrants that cannot provide fire protection in compliance with both state regulations and accepted engineering criteria. The installation of conventional fire hydrants may mislead the customers of Edmonson into believing that the water distribution system is capable of providing adequate and reliable volumes of water for fire protection purposes. The Commission accepts Edmonson's proposal to delete the conventional fire hydrants from this construction project.

FINDINGS AND ORDERS

The Commission, after consideration of the evidence of record, and being advised, is of the opinion and finds that:

1. With the appropriate monitoring of service system-wide, and the deletion of the proposed conventional fire hydrants, public convenience and necessity require that the construction proposed in the application be performed and that a certificate of public convenience and necessity be granted.

2. The proposed construction consists of approximately 26.3 miles of 6-inch diameter pipelines, and related appurtenances. The low bids totaled \$487,363 which will require about \$646,800 after allowances are made for fees, contingencies, and other indirect costs.

3. Edmonson should monitor the adequacy of the expanded water distribution system after construction. If the level of service is inadequate or declining, or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 6(1), Edmonson should take immediate action to maintain the level of service in conformance with the regulations of the Commission.

4. Any deviations from the construction herein approved which could adversely affect service to any customer should be done only with the prior approval of the Commission.

5. Edmonson should obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

6. Edmonson should furnish duly verified documentation of the total cost of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. Said construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

7. Edmonson's contract with its Engineer should require the provision of full-time resident inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering, to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

8. Edmonson should require the Engineer to furnish a copy of the "as-built" drawings and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the date of substantial completion of this construction.

9. The financing plan proposed by Edmonson is for lawful objects within its corporate purpose, is necessary and appropriate for and consistent with the proper performance of its service to the public and will not impair its ability to perform these services. The financing plan is reasonably necessary and appropriate for such purposes and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. Edmonson be and it hereby is granted a certificate of public convenience and necessity to proceed with the proposed construction project as set forth in the drawings and specifications of record herein on the condition that service levels be monitored, corrective action taken in accordance with Finding Number 1 and Finding Number 3 of this Order, and that the proposed conventional fire hydrants be deleted.

2. Edmonson's financing plan consisting of a Bank loan of \$258,550, \$365,550 in CDBG funds, and \$22,700 in contributions from applicants for service be and it hereby is approved.

3. Edmonson shall comply with all matters set out in Findings 3 through 8 as if the same were individually so ordered.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky, this 8th day of February, 1988.

PUBLIC SERVICE COMMISSION

Richard D. Hemminger
Chairman

Robert M. Davis
Vice Chairman

Spencer W. Williams
Commissioner

ATTEST:

Executive Director